

Message Text

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EO 11652: NA
TAGS: BENC, PA
SUBJECT: MAJOR PROJECT: RAILROAD ELECTRIFICATION

REF STATE 57711

1. PARAGUAY HAS ONE ANTIQUATED RAILWAY LINE RUNNING FROM ASUNCION TO ENCARNACION, A DISTANCE OF 370 KILOMETERS. THE LINE CONNECTS THERE WITH THE ARGENTINE RAILWAY SYSTEM. IN 1970 THE WORLD BANK RECOMMENDED THAT THE LINE BE ABANDONED. AFTER SOME CONSIDERATION, THE GOP REJECTED THE WORLD BANK RECOMMENDATION AND DECIDED TO MAINTAIN AND MODERNIZE THE SYSTEM. AT THAT TIME GOP OFFICIALS ESTIMATED THAT THE RAILROAD SUFFERED YEARLY LOSSES EQUIVALENT TO 300,000 DOLLARS. SINCE THEN, SEVERAL FOREIGN PRIVATE AND GOVERNMENT SOURCES HAVE OFFERED THE GOP EITHER FINANCIAL OR EQUIPMENT ASSISTANCE OR A COMBINATION OF BOTH.

2. JAPAN, ARGENTINA, BRAZIL, WEST GERMANY, SOUTH AFRICA, FRANCE, ISRAEL, SOUTH KOREA, SAUDI ARABIA (TRIAD INTERNATIONAL MARKETING SA, GENEVA), THE UNITED NATIONS, AND SPAIN HAVE EITHER SHOWN INTEREST IN THE PROJECT OR SENT SPECIAL MISSIONS TO CONSIDER ITS FEASIBILITY. NONE OF THE PROPOSALS TO MODERNIZE THE RAILROAD HAVE CALLED FOR EXPENDITURES EXCEEDING 70 MILLION DOLLARS. AT THE PRESENT TIME, KRUPP OF
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WEST GERMANY, IS OFFERING 40,000 TONS OF STEEL RAIL TO BE REPAID BY PARAGUAY THROUGH THE PARAGUAYAN-GERMAN ASSISTANCE AGREEMENT TERMS, THAT IS, FOR A PERIOD OF 30 YEARS. A BRAZILIAN PRIVATE COMPANY, WHICH HAS JUST ORGANIZED A PARAGUAYAN BRANCH IN ASUNCION, IS OFFERING 50 MILLION DOLLARS AT 15 YEARS AND 7 PERCENT ANNUAL INTEREST. THE ARGENTINE GOVERNMENT,

THROUGH ITS NATIONAL RAILROAD AGENCY, IS CURRENTLY UNDERTAKING ANOTHER STUDY FOR MODERNIZATION OF THE PARAGUAYAN RAILROAD. PARAGUAY HAS PROPOSED TO ARGENTINA THAT A PORT OF THE INCOME DERIVED FROM THE EXPLOITATION OF THE BINATIONAL HYDROELECTRIC PROJECT AT YACYRETA-APIPE BE USED TO REPAY LOANS FOR THE MODERNIZATION OF THE RAILROAD. THE YACYRETA-APIPE DAM INCLUDES RAILROAD TRACKS ALONG THE DAM'S LENGTH. PRESENT RAILROAD LINK WITH ARGENTINA IS VIA FERRY AT ENCARNACION (PARAGUAY) OPPOSITE POSADAS (ARGENTINA) ACROSS THE PARANA RIVER.

3. COMMENT:IT IS STILL PREMATURE TO JUDGE WHETHER THE DEFICIT-PLAGUED PARAGUAYAN RAILROAD CAN BE MADE ECONOMICALLY VIABLE, ALTHOUGH THE LIKELIHOOD OF SOME SCORE OF MILLIONS BEING SPENT IS HIGH. THE PROJECT DOES NOT HAVE MUCH POTENTIAL FOR SALES BY US EQUIPMENT MANUFACTURERS, SINCE PURCHASES WILL HAVE TO BE TIED TO FINANCING SOURCE.
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